

**MINUTES**  
**North Dakota Public Employees Retirement System**  
**April 17, 2000**  
**Sakakawea Room**  
**State Capitol**  
**Bismarck, ND**  
**8:30 a.m.**

Members Present: Mr. Joseph Maichel, Chairman  
Mr. Weldee Baetsch  
Mr. David Gunkel  
Mr. Ron Leingang  
Mr. Howard Sage  
Mr. Murray Sagsveen  
Ms. Rosellen Sand

Others Present: Mr. Sparb Collins, Executive Director NDPERS  
Ms. Jeanne Welder, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Mr. Steve Cochrane, RIO  
Ms. Connie Flanagan, RIO  
Mr. Tom Tupa, AFPE & INDSEA  
Mr. Howard Snortland, AFPE  
Ms. Chris Runge, NDPEA  
Ms. Mary Sorenson, BCBSND  
Mr. Dan Ulmer, BCBSND  
Mr. Rod Crane, The Segal Company  
Mr. Gino Reina, Segal Advisors  
Ms. Rhonda Grant, Jackson National Life  
Mr. Bob Tucker, Jackson National Life

Chairman Maichel called the meeting to order at 8:30 a.m. The first item of business was the minutes from the March 10 and March 22 board meetings. Chairman Maichel called for any comments or questions regarding the minutes.

**MR. LEINGANG MOVED APPROVAL OF THE MINUTES. MS. SAND SECONDED THE MOTION.**

**AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Sagsveen, Chairman Maichel**  
**NAYS: None**

**PASSED**

**INVESTMENTS**

Mr. Cochrane reviewed the policies and procedures the State Investment Board has established for the PERS fund, asset classes that have seen activity since the last investment report, the progress of the funds within the portfolio and the Fund's asset allocation strategy. Under the Domestic Equity category, money managers Sanford Bernstein and IAI were replaced by Strong Capital and Trust Co. of the West. To date, the result has been a positive effect on the portfolio. Ark Asset Management, a Large Cap Domestic Equity money manager, was terminated in late March. The SIB is currently reviewing the concept of enhanced equity indexing for Large Cap Equity. Under this concept portfolios are built around specific indexes to try to emulate the

returns available in those indexes, and hopefully gain a bit through the strategic approaches utilized by those managers.

Mr. Cochrane also reviewed the investment objective of the Fund. The long-term objective is to achieve a minimum total rate of return of 4.5% in excess of the annual rate of inflation. However, the absolute total rate of return must be no less than 9.5% net of fees. Over the past five years, ending fiscal year June 30,1999, the annualized returns have exceeded this goal. A copy of this report is on file at the PERS office and may be viewed during normal business hours. This item was informational only and required no action by the Board.

## **RETIREMENT**

### **Legislation Update:**

Mr. Collins reported that the proposed legislation approved by the Board at the last meeting has been submitted to the Legislative Council. This item was informational only and required no action by the Board.

### **Investment Consultant:**

Mr. Crane, The Segal Company, and Mr. Reina, Segal Advisors, met with the Board to respond to questions relating to Segal's proposal for providing ongoing investment consultant services for the deferred comp program and the defined contribution plan. Mr. Collins presented a list of questions for response. Discussion followed.

**MR. GUNKEL MOVED APPROVAL TO ACCEPT THE PROPOSAL FROM SEGAL ADVISORS FOR INVESTMENT CONSULTING SERVICES AND TO AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE CONTRACT ON BEHALF OF THE BOARD. MS. SAND SECONDED THE MOTION.**

AYES: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel  
NAYS: None

**PASSED**

### **Administrative Issues:**

Ms. Knudsen reported that a public hearing on the proposed Administrative Rules was held on March 13, 2000. No comments related to these rules were received at the meeting or through the extended comment period. Also included with the board materials was a proposed revision to the language relating to Election Notification under the Administrative Rules. Staff requested authorization to submit the revised language and proposed rules to the Attorney General's office for review and final promulgation.

**MS. SAND MOVED APPROVAL TO ACCEPT THE RULES AS AMENDED, AND TO FORWARD THE RULES TO THE ATTORNEY GENERAL'S OFFICE FOR REVIEW. MR. BAETSCH SECONDED THE MOTION.**

AYES: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel  
NAYS: None

**PASSED**

Mr. Sagsveen requested that staff respond, on behalf of the Board, to the letter received from one of the members relating to hourly wages that are eligible for retirement benefits. Mr. Collins will ensure the member receives a response to his inquiry.

### **BENEFICIARY DISCLAIMER:**

At the April board meeting, the Board had reviewed payment of death benefits to surviving spouses and non-spouse beneficiaries, and their interpretation of the statute language. Following that meeting, staff met with legal counsel and realized that each had a different interpretation of the Board's decision. Staff requested reaffirmation of the Board's wishes as it relates to payment of death benefits to beneficiaries. Ms. Knudsen provided an overview of the case brought before the Board at the April meeting. Discussion followed. It was agreed that the Board's interpretation was that if a beneficiary dies the benefit would not go to the heirs of the deceased beneficiary, but would go to the remaining beneficiary(s). If the remaining beneficiary is a surviving spouse, the Board would deem this situation as having been no designation and the sole surviving spouse would be allowed to choose an option under the surviving spouse benefits.

### **DEFERRED COMP**

#### **Great West life Update:**

Included with the board materials was a letter sent to all active, non-annuitized accounts with Great West Life. Ms. Knudsen reported that all payroll contacts have been advised not to accept deductions for Great West from participants' checks after May 31, 2000. In the interim a Benefit Specialist from PERS will contact each individual involved to ensure they have received the notice and understand the action required. This item was informational only and required no action by the Board.

#### **Jackson National:**

Ms. Grant, Vice President of Government Relations, and Mr. Tucker, Vice President of Technical Support, addressed the Board to convey Jackson National's concern with the present situation and the steps they intend to pursue to resolve the Board's concerns. They also conveyed that, if the Board feels no agreement or resolution can be reached, Jackson National will agree to terminate the current contract with the Board and cover the resulting surrender charges. Questions and discussion followed. It was recommended that staff send written communication to Ms. Grant and Mr. Tucker, thanking them for their attendance at today's meeting, to restate the Board's understanding of the offer they extended and to reaffirm Jackson National's current status as a provider under the Deferred Comp program. It was also agreed that Jackson National would be notified that they will remain under the current review status for twelve months, however, if it appears all concerns have been successfully resolved in the interim, upon recommendation from staff the Board will consider lifting the suspension.

**MR. SAGSVEEN MOVED APPROVAL TO ADOPT THE RECOMMENDATIONS MADE AND THAT THE BOARD WILL REVIEW THE SITUATION IN TWELVE MONTHS, UNLESS AN EARLIER RECOMMENDATION IS RECEIVED FROM STAFF, EITHER FAVORABLE OR UNFAVORABLE. MS. SAND SECONDED THE MOTION.**

AYES: Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: Baetsch

**PASSED**

#### **Deferred Comp Survey:**

Included with the board materials was a draft survey that will be issued to participants of the Deferred Compensation program relating to the services provided by their deferred comp provider. The goal of the survey is to provide PERS with information relating to the quality of service being provided by the providers, to determine areas in which improvements can be made, and also to provide information as to whether services received are improving, decreasing or staying the same. Discussion followed. Several suggestions for improving the survey were offered and will be incorporated into the final document. This item was informational only and required no action by the Board.

## **GROUP INSURANCE**

### **Life Insurance:**

Included with the board materials was information from Mr. Sagsveen relating to observations regarding the present life insurance plan design. Mr. Sagsveen explained that he had conducted a comparative analysis of the ReliaStar rates as compared to another similar product in which he currently participates. He noted the results indicate that ReliaStar rates are much higher. In researching it further, it appeared the higher rates may be related to the fact that there are no differentials in the premium rates of those state employees who smoke and those who do not. He questioned whether if, for coverage above the basic \$1300, it were rated like any other life insurance plan, there would be a difference in the premium rates for these two groups. He felt such a change could result in additional insurance for the nonsmoking state employee at the current rate. Mr. Sagsveen suggested the Board meet with ReliaStar to inquire whether using an alternative rating system, for insurance desired above the basic \$1300 provided by the State, would result in lower premium rates for nonsmokers and what that difference would be. Staff recommended that ReliaStar be invited to the May board meeting to discuss this issue as well as the overall life insurance plan design.

### **MS. SAND MOVED APPROVAL TO INVITE RELIASTAR TO THE MAY BOARD MEETING. MR. LEINGANG SECONDED THE MOTION.**

AYES: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel  
NAYS: None

### **PASSED**

### **Health Plan Design:**

Included with the board materials were various alternative plan design options, developed by the Advisory Committee, for the Board's consideration. Discussion followed on what the Board perceived to be their policy or goal in this process. Given the breadth of the issue involved, it was recommended the Board consider holding a separate meeting to review and discuss this information. Staff will put together quantitative data relating to the items discussed, for the Board's review. It was agreed that the Board will meet on May 18 for the purpose of reviewing and discussing the health plan design.

### **HMO Agreement:**

Included with the board materials was the contract with Heart of America HMO to continue offering services in the Rugby area. Staff requested approval of the contract.

### **MS. SAND MOVED APPROVAL OF THE CONTRACT WITH HEART OF AMERICA HMO AND AUTHORIZE ITS EXECUTION. MR. BAETSCH SECONDED THE MOTION.**

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel  
NAYS: None  
ABSENT: Sagsveen

### **PASSED**

### **BCBS Presentation:**

Mr. Ulmer, Director of Government Relations for BCBSND, provided an update of activities at the federal level on various proposed legislation, and the potential effect those initiatives could have on group health insurance policies. Mr. Ulmer reviewed the Patients Bill of Rights that is currently in conference at this time, how the issue of external review relates to this legislation, as well as the House version and Senate version of this legislation. He also reviewed proposed antitrust legislation and the potential impact if such legislation were passed.

This presentation was a part of a series of presentations BCBSND will provide the Board on health insurance initiatives and issues. The next presentation will tentatively be at the July meeting and provided by Mr. Chad Niles, Vice President in charge of the PERS account. This item was informational only and required no action by the Board.

**Deloitte Contract:**

Included with the board materials was the contract with Deloitte & Touche to provide group insurance consulting services for the next two years. The Board selected Deloitte as the consultant for these services at their April meeting.

**MR. SAGE MOVED APPROVAL OF THE DELOITTE CONTRACT AND TO AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE CONTRACT ON BEHALF OF THE BOARD. MR. BAETSCH SECONDED THE MOTION.**

AYES: Baetsch, Gunkel, Leingang, Sage, Chairman Maichel

NAYS: None

ABSENT: Sagsveen, Sand

**PASSED**

**MISCELLANEOUS**

**Next Meeting:**

The next regularly scheduled meeting of the PERS Board will be on May 25.

**Other:**

The committee established to review the Executive Director's performance provided an update on the evaluation process and distributed evaluation forms for completion by board members. Mr. Baetsch conveyed that the committee is also working, in conjunction with Mr. Collins, on updating the Executive Director position description that was last updated in 1989. The committee also felt the existing evaluation form should be used for this evaluation, however, recommended the Board review this form to determine whether any changes should be incorporated, which may be more reflective of what the Board would like to see incorporated into the evaluation process for future reviews. Mr. Weldee requested the completed forms be returned to the Chairman before the May 25 meeting.

Chairman Maichel called for any other business to come before the Board. Hearing none, Chairman Maichel adjourned the meeting at 11:40 a.m.

Respectfully submitted,

Jeanne Welder  
Secretary, NDPERS Board